



GOOD NEWS FOR PERSI MEMBERS

A message from Jody B. Olson
Retirement Board Chairman

Since the last time I contributed to the PERSI newsletter, a number of significant actions have taken place that I believe will be of interest to all PERSI members. I wanted to briefly share some details with you on the steps taken by the Board, PERSI staff, and the legislators so far this year.

The first bit of good news is for our more than 63,000 active members and 680 employers regarding contribution rates. The increase originally scheduled to take place on July 1, 2005, will be postponed until July 1, 2006, and the 2006 increase will be postponed until July 1, 2007. This means that approximately \$21 million from employees and employers will not have to be paid into the fund this year. The Board reviewed the contribution rate schedule at the request of employers whose budgets are already stretched. We were able to postpone the increases for one year because our investment returns have been excellent – among the best in the nation.

The second piece of news is about the cost-of-living (COLA) increases that affect our 26,000 retirees. With profitable investments and a funding level that remains high, the Board recommended the maximum COLA for the year, plus the retro COLA that restores full purchasing power to our retirees. A 2.7 percent increase matches the increase in the consumer price index for the year, plus a 0.8 percent retro COLA makes up for the discretionary COLA the Board was unable to give in 2003 due to poor investment markets. These increases were affirmed by the legislature and went into effect on March 1, 2005. Everyone who retired

with a PERSI defined benefit should now enjoy the same purchasing power as the day they retired.

These two actions were possible because of the outstanding performance of our portfolio team directed by Chief Investment Officer Bob Maynard and the effective administrative staff under PERSI’s Executive Director Alan Winkle. For the fiscal year ended June 30, 2004, your fund investment return was 18.1 percent. PERSI ranked in the top 6 percent of public funds in the nation. Our funding status has steadily improved since the 2001-2003 recession, to nearly a 91 percent funded ratio as of July 1, 2004. While I don’t have a crystal ball to see what the future holds, trends show the economy is continuing to grow and the market is stable. I am comfortable that we have a plan in place to maximize our returns and minimize our risks in any situation brought on by the financial markets.

Please join me in thanking the PERSI staff, our skilled investment team that includes professional managers from all over the world, the state legislators for their support, and my fellow Board members. PERSI funding will remain solid, and we will continue to provide an excellent retirement for you, our public employees.

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Senate Bills

SB 1005 - Effect of Benefit Enhancements. Amends Idaho Code 59-1315 to clarify the meaning of "prospective only application" of benefit enhancements. Simply put, this means that a member's benefits are determined on the basis of the retirement plan as it existed on the date of the member's last contribution as an active member. **Status:** This bill was passed by the Senate on February 8, 2005, and by the House on March 9, 2005.

SB 1006 - Board Duties/Responsibilities. Amends Idaho Code 59-1305 to include investment committee members under the indemnity provision; to authorize the Board to retain audit services; and to modify and clarify actuarial requirements. **Status:** This bill was passed by the Senate on February 8, 2005, and by the House on March 9, 2005.

SB 1007 - Detention Officer Clarification. Amends Idaho Code 59-1303 to clarify "police officer membership status" for county detention officers, requiring that they be certified according to police officer standards and training (POST), consistent with current POST rules; and clarifies the designation of emergency medical technicians and the status of dispatchers. **Status:** This bill was passed by the Senate on February 8, 2005, and by the House on March 9, 2005.

SB 1108 - Retiree Return to Work. Amends Idaho Code 59-1356 to provide that PERSI retirees may return to full time work without affecting their benefit under certain conditions:

- Must retire with an unreduced benefit
- Cannot be reemployed by a PERSI employer for six months after their retirement date
- Can only return to an employer other than the employer from which they retired
- Will not accrue additional service
- The employer must pay contributions to PERSI

Status: This bill was heard by the Senate Commerce and Human Resources Committee on February 24, 2005, but failed to make it out of committee by a 4-2 vote. This bill was not sponsored by PERSI.

House Bills

HB 138 - PERSI Budget. On March 9, 2005, the House passed the PERSI budget by a 67-0-3 vote.

HB 129 - Prosecutors as Police Officer Members. Amends Idaho Code 59-1303 to add prosecuting attorneys and deputy prosecuting attorneys to the PERSI definition of police officer member. Similar bills have been introduced in the past, none of which have passed. **Status:** This bill was heard on February 17, 2005, in the House Judiciary, Rules and Administration Committee and was subsequently sent to the floor with a "Do Pass" recommendation; however, on February 24, 2005, the bill was heard on the House floor and defeated by a 56-12-2 vote. This bill was not sponsored by PERSI.

HB 138 - Architect Board as PERSI Members. Amends Idaho Code 54-312 to change the status of members of the Architects Board of Examiners, allowing them to become PERSI members. This would reverse the 1996 statute that removed them from PERSI membership. **Status:** This bill was introduced in the House Business Committee on February 8, 2005. It was transferred to the House Commerce and Human Resources Committee, which heard testimony on March 1, 2005. On March 9, 2005, the Committee voted to send it to the floor with a "Do Pass" recommendation. This bill was not sponsored by PERSI.

NOTES

Robert Maynard, PERSI's chief investment officer, was among the finalists of the Awards for Excellence in Investment Management competition sponsored by Institutional Investor magazine. The award honors the outstanding achievements of executives who manage U.S. pension plans, endowments, and foundations on behalf of the nation's millions of retirees and other beneficiaries.

Stacy Jones, an IT program systems specialist who has been with PERSI for 14 years, recently completed the State of Idaho Certified Public Manager program. The 18-month, state-sponsored educational program is a nationally accredited program for public sector personnel designed to strengthen organizational performance and enhance the leadership skills of Idaho's public managers. She is the first PERSI employee to complete the program.

Insights

This issue of **PERSpectives** marks the start of a new and informative series of articles written by PERSI trainers Bill Duncan and Maxine Thomas. They have been with PERSI for nearly five years, during which time they developed a series of workshops to help members understand their retirement benefits and plan for their future with confidence.

ABOUT BILL AND MAX . . .

Before joining PERSI, Bill served as the clinical director/drug and alcohol counselor with the Salvation Army in Boise. He also spent five years as a certified financial planner with American Express. Bill holds a bachelor's degree in education from Wichita State University and a bachelor's degree in political science and psychology from Boise State. This combination of education and experience positioned Bill for his training role at PERSI.

Max applied her education and training skills in a variety of business environments before coming to PERSI, including Idaho's Department of Health and Welfare, Equifax Risk Management Services, and West One Bankcorp. She holds a master's degree in instructional and performance technology from Boise State, and a bachelor's degree in education from Seattle University. Max's keen facilitation skills and ability to apply "big picture" thinking have contributed to her success at PERSI.

Our trainers not only have the credentials and experience to help PERSI members understand their retirement options, but also the passion for helping them get answers to difficult questions. Simply put, they care about our members.

Details about the workshops can be found on the PERSI Web site at www.persi.state.id.us.

HEALTH CARE OPTIONS IN RETIREMENT

The road to retirement doesn't begin at PERSI, but rather in understanding the various options and issues associated with retirement. One of the greatest joys for PERSI employees is knowing the PERSI pension system allows thousands of Idaho families to enjoy a relatively comfortable retirement. There is another equally deserving aspect of retirement, however, that merits our attention: planning for health care expenses. The costs associated with both health and long-term care are skyrocketing, so adequate planning is essential. This article provides information about some of the options you might want to consider before you retire.

MEDICARE

At age 65 you will become eligible for the federal health insurance plan known as Medicare. It is divided into two parts: Part A and Part B. You may choose either or both; however, be aware that failure to apply could result in a penalty down the road. Medicare Part A covers hospitalization. The amount covered depends on both your length of stay and where you receive care. Among other things, Part B provides partial coverage for physician services, outpatient care, and limited home health care. Remember to apply for Medicare several months before your 65th birthday to avoid penalties. A good place to gather more information is at www.medicare.gov.

COBRA

If you plan on retiring before Medicare kicks in at age 65, and if your employer has more than 20 employees, you are eligible to continue your health care coverage for up to 18 months after you retire under the Consolidated Omnibus Reconciliation Act (COBRA) of 1986. The cost for this coverage varies with each employer and it can be costly; however, it is generally less expensive than purchasing an individual policy from a private insurer. You should check with your human resources or payroll person for the cost to continue this coverage.

MEDIGAP

Medicare supplements, also known as Medigap plans, are sold by private insurance companies and are designed to "fill in the gaps" left by Medicare. Currently there are ten types of Medigap policies available, each with different coverages and costs. If you buy a policy within six months of applying for Medicare, you cannot be turned down. To learn more visit www.doi.state.id.us.

EMPLOYER-SPONSORED HEALTH INSURANCE

As a retiree, you may be given the opportunity to participate in a group insurance plan. How this plan will be administered depends on the employer from which you are retiring. The best place to learn more is from your human resource or payroll department.

LONG-TERM CARE

Nearly half of all Americans over the age of 65 will need home health or nursing home care at some point in their golden years. Paying for this care out of pocket could leave a surviving spouse broke. Long-term care insurance can also be very expensive depending on the coverages you desire. It is often recommended that you purchase this insurance between the ages of 55 - 60, before it becomes too expensive. To do your homework properly, you might want to search the Internet by typing "long-term care" into your favorite search engine.

MEDICAID

When all else fails, and you run out of money ... there's Medicaid, a program that pays for medical assistance for certain individuals and families with low incomes and few resources.

IN CLOSING

It pays to investigate your options several years before setting your retirement date so you can control the kind and quality of care you receive in retirement. If you are within five years of retiring, make plans to attend a PERSI 505 workshop. For more information about the 505 – or any of the PERSI workshops – visit the PERSI Web site at www.persi.state.id.us and click on the education tab and then on workshops.

PERSI does not endorse the accuracy or reliability of the Medicare or Department of Insurance (DOI) Web sites referenced in this article. Any reliance on such information is done at your own risk.

>> COMING AND GOING: Patrice Perow is PERSI's new public information officer, bringing more than 23 years of experience in marketing, public relations, and communications to the role. She replaces Becky Reeb, who left PERSI after nearly 13 years.



www.persi.state.id.us

I D A H O

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